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C O N F I D E N T I A L TEL AVIV 001363

SIPDIS

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TAGS: PGOV PINR IS

SUBJECT: BOTH SIDES BLINKED: BARAK-OLMERT DEAL KEEPS
KNESSET INTACT, SETS KADIMA PRIMARY DATE

REF: TEL AVIV 1334

Classified By: Deputy Chief of Mission Luis G. Moreno. Reason 1.5 (B/D)

¶1. (C) Summary: PM Olmert and MOD Barak reached political agreement on a way forward that resolves the coalition crisis sparked by the opposition's plan (now abandoned) to vote on a bill to dissolve the Knesset (reftel). In essence, Olmert agreed to Barak's demand that he spell out a time-frame for holding Kadima Party primaries -- not later than September 25, 2008. In return, Barak withdrew Labor Party support for the Likud bill to dissolve the Knesset, a move that would have hastened early elections. The impact of the Ehud-Ehud deal is that it will perpetuate the current governing coalition's survival, yet possibly hasten a change of Kadima party leader and, subsequently, the Prime Minister. The possibility of general elections in 2008 has consequently become more remote, as most parties in the Knesset -- with the exception of the Likud Party -- are not ready or willing to risk losing their seats halfway through their Knesset term, which officially runs through fall 2010. Olmert, however, could still decide to run in the Kadima primaries, and he is unlikely to make such a decision before the July 17 cross-examination of Morris Talansky. End Summary.

Last-Minute Deal Averts Coalition Crisis

¶2. (C) Kadima MK Tzachi Hanegbi told poloffs June 25 that he slept just two hours over the night of June 24-25 as he negotiated the terms of a deal between PM Ehud Olmert and MOD Ehud Barak. Both Ehuds managed to step back from a procedural precipice and agree on political terms that allowed the Labor Party to withdraw its threat to vote with the Likud Party and other right-wing opposition parties on a Knesset dissolution bill. Although some Labor MK's, such as MK Braverman and MK Ami Ayalon observed these parliamentary maneuvers with distaste, they and their staff acknowledged that Barak had achieved his limited objective: confirming the time-frame of Kadima primaries. Other Laborites reportedly crowed to the press that Barak's achievement struck a blow at Likud and marked the beginning of the end of Olmert's tenure, but many Labor (and Kadima) insiders are more modest: this deal shifts attention to the Talansky cross-examination scheduled for July 17 (reftel) and its public impact on Kadima primaries, which all Knesset and PMO contacts believe will be held in mid-September 2008. Embassy contacts in the office of Olmert's Cabinet Secretary told emboffs that Olmert's lawyers are likely to challenge Talansky's assertions, such as the allegation that Olmert traveled to Italy on a Talansky-funded vacation, as unfounded in fact.

Bitter Barbs Between Olmert and Bibi

¶3. (U) Following news of the Labor-Kadima deal that preserves the current Knesset status quo and staves off early

elections, the opposition MK's convened a special debate "on the future of the government" in the plenary, a move that required the prime minister to take the floor. Olmert sketched out the range of issues his government is handling -- notably on prisoner issues relating to Gilad Shalit and Hamas and soldiers kidnapped by Hizballah -- and accused the Likud-led opposition of "not wanting peace" and failing to present an "alternative" to what the current government is doing. Opposition leader and Likud Chairman, Binyamin Netanyahu, retorted that Olmert's government was a "government of failures" that was only concerned about saving its seats in the Knesset. His right-hand man, Likud MK Gideon Saar went a step further in the vitriolic debate, calling the government a "coalition of cowards" who are "fearful of the elections and of the public." He lambasted Labor MK's as "pushovers" (to Kadima). Knesset Speaker Dalia Itzik had Saar removed from the podium, but the opposition heckling of the government from the plenary continued throughout the tumultuous session, which, nonetheless approved Olmert's statement by a vote of 44 to 34 with six abstentions.

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